

Message Text

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PAGE 01 SANTIA 05843 282139Z

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 CAB-09 CIAE-00 COME-00 INR-10

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 6698

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E.O. 11652: NA

TAGS: ETRN, CI

SUBJECT: CIVAIR - NEW CENTRAL BANK REGULATIONS

REF: SANTIAGO 3447 AND 2670

1. NEW CENTRAL BANK REGULATIONS FOR AIRLINES EFFECTIVE NOV 13 PERMIT UNLIMITED TICKET SALES IN FOREIGN CURRENCIES AND FREE REMITTANCE OF PROCEEDS. FIFTY PER CENT OF PROCEEDS FROM ESCUDO TICKET SALES MUST BE PLACED INTO "LOCAL COSTS" ACCOUNT WHICH EACH AIRLINE MUST OPEN AT CENTRAL BANK, AND USED EXCLUSIVELY FOR LOCAL COSTS. REMAINING 50 PER CENT MUST BE PLACED IN "TRANSITORY FOREIGN CURRENCY" ACCOUNT IN CENTRAL BANK. FUNDS IN LATTER ACCOUNT EARN 3 PER CENT INTEREST ANNUALLY AND MAY BE CONVERTED AND REMITTED ONE YEAR AFTER DATE OF DEPOSIT. ALL CONVERSIONS ARE AT BROKERS RATE, CURRENTLY 780 ESCUDOS TO ONE DOLLAR. RESUMPTION OF CREDIT SALES IS ALSO AUTHORIZED IN NEW REGULATIONS.

2. SINCE ESCUDO TICKET SALES AT BROKERS RATE ARE STILL TAXED AT APPROXIMATELY 50 PERCENT (EFFECTIVE RATE AROUND 1200 ESCUDOS PER DOLLAR), ALL CUSTOMERS WHO CAN POSSIBLY DO SO ARE BUYING TICKETS IN DOLLARS. (BLACK MARKET FOR DOLLARS HAS VIRTUALLY DISAPPEARED, DUE DEMAND FOR ESCUDOS. SOME DOLLARS MAY THEREFORE BE BOUGHT INFORMALLY AT OR NEAR OFFICIAL RATE.) VIRTUALLY NO ONE IS BUYING QUOTAS OF TRAVELLER'S DOLLARS FROM THE CENTRAL BANK,
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PAGE 02 SANTIA 05843 282139Z

EITHER, SINCE SUCH TRANSACTIONS ARE ALSO TAXED TO YIELD EFFECTIVE

RATE OF ABOUT 1200 ESCUDOS. GOC SO FAR APPEARS TO BE ENCOURAGING TICKET SALES IN DOLLARS. THIS IS PROBABLY BECAUSE UNDER FORMER REGULATIONS GOC WAS OBLIGED TO REMIT APPROXIMATELY \$12 MILLION PER MONTH TO FOREIGN AIRLINES FROM ESCUDO SALES, AND NEW AUTHORITIES WISH TO AVOID SUCH CONVERSIONS. THERE HAVE BEEN SOME INDICATIONS THAT CHILEAN INTERNAL REVENUE SERVICE IS UNHAPPY WITH NEW REGULATIONS, ALLEGING THAT ESCUDO TICKET SALES REPRESENT IMPORTANT REVENUE SOURCE.

3. A LOCAL BRANIFF OFFICIAL TOLD EMBOFF THAT, AFTER ABOUT TWO WEEKS' EXPERIENCE WITH THE NEW REGULATIONS, BRANIFF'S FINANCIAL OPERATIONS ARE FULLY SATISFACTORY.

4. COMMENT: THE NEW ARRANGEMENT DOES NOT APPEAR TO BE PARTICULARLY ADVANTAGEOUS TO THE GOC. WE ARE CHECKING FOR ADDITIONAL DETAILS AND WILL ADVISE.
THOMPSON

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